

The Treasury

Budget 2012 Information Release

Release Document

June 2012

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Hon Tony Ryall
Parliament Buildings
WELLINGTON

Dear Tony

Thank you for the Four-Year Budget Plan and your recent March Baseline Update submission covering Vote Health.

Four-Year Budget Plan

Budget initiatives

Budget Ministers discussed the Four-Year Budget Plan at our meeting on 7 March and agreed to include in the Budget 2012 package \$50 million for Health sector capital projects and all proposals for reprioritisation savings.

Budget Ministers will consider the rest of the Health Budget package on 28 March, including items submitted since the Four-Year Budget Plan, items that were included in your March Baseline Update submission that require Cabinet agreement through the Budget process rather than approval by joint Ministers, and technical changes to ensure time-limited funding from 2011/12 savings and underspends is not continued beyond the 4-year forecast period.

Before Budget Ministers' 28 March meeting, further advice is needed from the Ministry of Health on whether DHBs can sustainably deliver the DHB-funded new initiatives, deficit reductions and increased performance against health targets described in the Four-Year Budget Plan. This advice can be informed by the Ministry's initial assessments of DHBs' draft annual plans, and any updated analysis of the actual cost pressures facing DHBs. It should include a quantified estimate of DHBs' costs to deliver on the government's revised health targets.

Final Budget decisions

Final decisions on Budget initiatives, as well as possible expenditure savings, will be made by Cabinet on 16 April 2012. Please note also that acceptance of all Four-year Budget Plans is subject to the Government making satisfactory progress towards its priority of returning to surplus by 2014/15. If economic circumstances put the surplus target at risk, Cabinet may need to reconsider its fiscal track and some or all Budget Plans.

March Baseline Update

I have examined your submission and have identified a number of issues with the baseline updates proposed for Vote Health as described in the appendices below. These have been discussed and agreed by Ministry of Health and Treasury officials.

With these changes included, your baseline update is agreed.

Yours sincerely

Hon Bill English
Minister of Finance

Appendix One: *Vote Health*

Safe Staffing Healthy Workplaces Unit Funding

The baseline update proposes:

- a fiscally neutral adjustment to transfer \$0.400m from the Health Services Funding appropriation to the National Contracted Services – Other appropriation in 2011/12; and
- an expense transfer of \$0.400m from 2011/12 to 2012/13 within the Health Services funding appropriation, with the intent that this will subsequently be used to fund the second year of this initiative.

Officials have agreed that approval for the changes to appropriations necessary for this initiative are more appropriately sought through Cabinet Budget decision, rather than from joint Ministers in the baseline update. This item has therefore been removed from MBU and will be included in the Health Budget package.

[6]

Kelburn Properties

The baseline update submission seeks \$2.6m of proceeds from the sale of former Capital and Coast DHB properties in Kelburn to the Equity for Capital Projects to DHBs and Health Sector Crown Agencies appropriation (the Health Capital Envelope).

Officials agree that returning this funding to the Health capital envelope is appropriate to give effect to Ministers' intention when the transactions were originally approved. However, as this revenue has already been received by the Crown, returning it to the Health Capital Envelope will be a charge against the 2012 Budget capital allowance. It has therefore been removed from the March baseline update and will be included as an initiative in the Health Budget package.

Bowel Cancer Screening Pilot

This seeks to transfer \$3.480m from 2011/12, \$0.605m from 2012/13 and \$0.784m from 2013/14 into to 2014/15 (\$2.019m) and 2015/16 (\$2.850m), effectively extending the pilot programme agreed by Cabinet into an extra year. Following your MBU submission, Health officials have provided further information confirming that this is an expense transfer due to delays in implementing the pilot.

I note that the \$2.850m increase proposed for 2015/16 is time-limited and will not continue in outyears.

I also note that in 2011, Cabinet directed the Ministry of Health to report to the Cabinet Social Policy Committee in due course outlining the finalised costings of the Bowel Screening Pilot and cost-effectiveness evaluation plan [SOC Min (11) 15/8 refers]. As contracts and timeframes for the pilot have now been finalised, it may be timely to complete this report-back soon.

Additional Well Child Visits

Health officials have clarified that the expense transfer of \$1.4m from 2011/12 to 2012/13 is a one-off carry forward of the funding to develop capacity and systems to ensure maximum coverage of services delivered under the Well Child National Schedule.

Officials have confirmed that this item has been retained in the baseline update.

DHB Funding Rebalance from the Crown Health Financing Agency

This item was not included in your original letter. Health officials have since provided information explaining that the item seeks fiscally neutral adjustments to DHBs' appropriations reflecting minor changes in funding flows between individual DHBs, often caused by regional arrangements. The DHBs have been operating within these changes and there will be no need to advise them of any funding changes.

Officials have confirmed that this item has been included in the baseline update.